



PALADIN ENERGY LTD

ACN 061 681 098

Ref: 150824

17 November 2009

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

By Electronic Lodgement

Dear Sir/Madam

Fees Paid to Independent Auditor

It has come to the attention of the Company that CGI Glass Lewis, proxy advisors, have recommended against the re-election of Mr Donald Shumka at the upcoming Annual General Meeting. The reason given was what they considered to be a "significant/severe imbalance between the audit/audit-related fees and the non-audit related fees" that the Company paid to its independent auditor, Ernst and Young. The proxy advisors considered that, as Chairman of the audit committee, Mr Shumka was accountable for that "failure".

The Paladin Board is highly supportive of Mr Shumka's re-election and considers him as a financially astute independent director who has demonstrated integrity and a sound capacity to perform the audit chair role. The Board considers this to be an unfair accusation and sets out below the rationale for the fee structure.

Audit fees for the financial year ended June 2009 amounted to US\$381,000. During the same period non-audit fees, primarily for tax compliance and consulting, paid to Ernst & Young were US\$826,000. The level of fees was driven by the tax compliance requirements of multiple international jurisdictions establishing new operations and by the specialist advice requirements of potential acquisitions. The appointment of a tax manager in June 2009 is expected to reduce the level of external advice going forward.

Whilst always striving to meet the highest corporate governance standards, Paladin is also cognisant of the need to retain the value of the best available specialist advice.

In terms of the Company's Corporate Governance Policy all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure that they do not adversely affect the integrity and objectivity of the auditor and that the nature of the services provided does not compromise the Code of Ethics for Professional Accountants APES 110 issued by the Accounting Professional and Ethical Standards Board.

All non-audit services provided by Ernst & Young were allowable services that received the sign off of the audit partner confirming that in his professional opinion they do not in any way impair the independence of the firm. Where any service might be perceived to be subjective, Ernst & Young policy requires approval by the Oceania Independence and Conflicts Leader. The total fees paid represent a mere 0.14% of Ernst & Young's national total and less than 1.5% of the Perth office total.

The Board acknowledges that an explanatory note was overlooked in the annual financial statements in relation to this differential and trusts that the explanation provided above clarifies the position. A suitable annotation will be included in future, should it be necessary.

Yours faithfully
Paladin Energy Ltd

GILLIAN SWABY
Company Secretary